Australia: Construction Machinery

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Summary

Imported construction machinery dominates the Australian market. In 2007, Australia imported US$1.5 billion of machinery used in the construction industry (engineering, non-residential, residential). The U.S. was the leading supplier, valued at US$520 million, for a 33 percent market share. Japan is the major competitor, followed by Germany, South Korea, the United Kingdom, Sweden, and France. Bolstering U.S. equipment competitiveness in Australia is a strengthening Australian dollar and duty-free status.

Engineering construction prospects remain strong, with infrastructure activity set to record continuing good growth in key project areas. The Construction Forecasting Council (CFC) predicts non-residential construction will maintain an upward trend, with the strongest growth in office, health and aged care, and educational building. Softer demand in the house construction market indicates that higher interest rates and further pressure on housing affordability is weighing on the rate of improvement in the home building industry.

Construction machinery in demand includes bulldozers and angledozers, scrapers, machinery for public works, tamping machines and road rollers, excavators, mechanical shovels and shovel loaders, and off-highway dumpers.

Market Demand

The engineering construction sector has been rising strongly to a very high level over the last four years, due to major road, rail, and mining projects. This sector has enjoyed stronger growth than residential and non-residential building construction.

Growth in engineering construction is likely to continue across key project areas, particularly water, road, rail, electricity, and heavy industry. The Construction Forecasting Council (CFC), www.cfc.acif.com.au, estimates the 12-month value of engineering construction activity through June 30, 2008 at US$57 billion, with US$61 billion forecast for 2008-09. Further development of Australia's infrastructure is a key priority of the new Australian government.

Some state governments have budgeted for high levels of capital works to 2011, with most of it in engineering construction. New South Wales expenditure is expected to total US$46 billion, Western Australia US$20 billion, and Victoria US$12 billion. Over the next two decades, Queensland has a US$75 billion infrastructure spending program.

The Australian government has formed a new statutory advisory council, *Infrastructure Australia,* to plan, fund, and implement the nation's future infrastructure needs. The council's twelve members will work in partnership with state and federal government representatives and business leaders to determine nationally significant infrastructure requirements, including areas of water, energy, transport, and communications. An Infrastructure Priority List will be compiled by end-2008, for presentation to the Council of Australian Governments (COAG) meeting in March 2009.

Major upcoming infrastructure projects include:

Project	*Location*	*Investment*	*Starting Date*
Gorgon LNG Project	Western Australia	US$13.8 billion	Late 2008
Sydney Metro Rail System	New South Wales	US$11.5 billion	2010
Pluto LNG Project	Western Australia	US$10.1 billion	Mid 2010
Pilbara Gas to Liquids Plant	Western Australia	US$ 9.2 billion	July 2010
Expansion Olympic Dam Copper/Uranium Mine	South Australia	US$ 5.7 billion	2009
Wonthaggi Desalination Plant	Victoria	US$ 2.8 billion	June 2009
Kimberley to Perth Water Supply	Western Australia	US$ 2.7 billion	September 2009
Goodna Road Bypass	Queensland	US$ 2.1 billion	January 2009
Kurnell Desalination Plant	New South Wales	US$ 1.8 billion	2008
Silverton Wind Farm	New South Wales	US$ 1.8 billion	November 2009
Monash Energy Gas to Liquids Project	Victoria	US$ 1.8 billion	July 2009
Angel Gas Field Development	Western Australia	US$ 1.4 billion	Late 2008
Port Stanvac Desalination Plant	South Australia	US$ 1.1 billion	Late 2009
Ridley Project Magnetite Resource Project	Western Australia	US$ 1.1 billion	September 2009
Wakefield Waters Marina Project	South Australia	US$920 million	January 2009
Queensland Gas to Liquids Plant	Queensland	US$920 million	July 2009
Sydney Harbour Rail Tunnel	New South Wales	US$920 million	February 2010
Narrabri Gas Fired Power Station	New South Wales	US$828 million	March 2009
Mount Bold Reservoir Expansion	South Australia	US$754 million	September 2009
Port Phillip Bay Channel Deepening	Victoria	US$702 million	June 2009
Fremantle Ports Outer Harbour Container Terminal	Western Australia	US$552 million	January 2009
Moranbah Power Station	Queensland	US$368 million	June 2009
Ensham Underground Mine Project	Queensland	US$368 million	October 2010
Wyaralong Dam, Boonah	Queensland	US$368 million	November 2008
Parramatta Road Redesign, Sydney	New South Wales	US$368 million	August 2010
AGL Gas Fired Power Station	Queensland	US$322 million	March 2009
Port Kembla Steelworks No. 5 Blast Furnace	New South Wales	US$304 million	June 2009
Gunnedah Basin Gas Pipeline Project	New South Wales	US$276 million	June 2009
Traveston Crossing Dam	Queensland	US$184 million	June 2009
Murtoa Ethanol Plant	Victoria	US$110 million	December 2009

Source: Construction Forecasting Council (CFC)

Non-residential construction is forecast to maintain an upward trend. CFC estimates the value of non-residential construction work for year ending June 30, 2008 at US$27 billion, up eight percent on the previous year. The forecast for 2008-09 is US$28 billion, with strongest growth anticipated in office construction (nine percent), health and aged care (nine percent), and education (10 percent).

CFC expects the value of residential building work (new houses, apartments) during 2007-08 to be about US$33 billion. The high official interest rate (currently 7.25 percent) and poor housing affordability is hampering improvement in the home building industry. In March 2008, the total number of dwellings approved for construction decreased by 5.7 percent from the previous month to 12,495 and were 0.7 percent lower than in March 2007. Most of the weakness came from the multi-unit area, where approvals fell by 2.6 percent to 3,805, but were 2.7 percent higher than March 2007. The alterations and additions market is holding up well, with US$30 billion estimated for 2007-08 and US$32 billion forecast for 2008-09.

Major equipment categories covered in this report are:

Self-propelled fork-lift trucks and other work trucks with lifts, bulldozers and angledozers (self-propelled) and parts, graders and levelers, scrapers, tamping machines and road rollers, front-end shovel loaders, mechanical shovels, excavators and shovel loaders, parts of forklift or elevating platform trucks, machinery for public works, building or the like, track-laying tractors, off-highway dumpers, mobile cranes, and concrete mixers.

Market Data

ESTIMATED MARKET FOR CONSTRUCTION MACHINERY - AUSTRALIA
IN U.S. DOLLARS (in 000's)

	2006	*2007*	*2008 (projected)*
Total Market Size	1,059	$1,362	$1,536
Total Local Production	28	31	34
Total Exports	193	224	252
Total Imports	1,224	1,555	1,754
Imports from the U.S.	513	520	587

Source: Australian Bureau of Statistics/Industry Estimates

Exchange Rate Used:			
A$1 equals U.S. cents	75.3	83.6	92.0

Estimated Future Inflation Rate: 3 to 3.5 percent

Principal 2007 Import Market Shares

U.S.	**33 percent**
Japan	23 percent
Germany	7 percent
South Korea	5 percent
United Kingdom	4 percent
Sweden	4 percent
France	3 percent

Best Prospects

Heavy equipment investment is likely to continue over the next few years, particularly to support growth in infrastructure construction activity and sustained demand in non-residential building.

The following equipment represents best prospects for SMEs and large companies:

- Soil compactors
- Concrete pumps and mixers
- Work platforms
- Self-propelled bulldozers and angledozers, other than those used for track laying
- Self-propelled scrapers
- Machinery for public works
- Self-propelled tamping machines and road rollers
- Mechanical shovels, excavators, and shovel loaders, with 360 degree revolving superstructure
- Off-highway dumpers

In 2007, total import quantities into Australia of this equipment increased between 20.9 percent (off-highway dumpers) and 108.4 percent (self-propelled scrapers).

Key Suppliers

Many large international construction machinery manufacturers, through either branch offices or agents/distributors, are represented in Australia.

In 2007, the U.S. was the major supplier of construction machinery to Australia with imports valued at US$520 million from total imports of US$1.5 billion. In that year, the U.S. led in supplying self-propelled bulldozers and angledozers, graders and levelers, scrapers, mechanical front-end shovel loaders, off-highway dumpers, track-laying tractors, machinery for public works, and parts for bulldozers, angledozers, forklift and works trucks.

U.S. manufacturers, particularly those operating for many years through wholly owned subsidiaries or Australian agents, enjoy a good market image for their product quality. Major U.S. manufacturers supplying the market are Caterpillar, Case New Holland, John Deere, and Ingersoll-Rand. Others include Terex, Bobcat, Vermeer, Manitowoc, and Ditch Witch.

U.S. companies face strong competition from Japanese suppliers for mechanical shovels and excavators, self-propelled works trucks, and forklifts. Germany is the leading supplier of mobile cranes.

Key third country suppliers, their total import values and principal machinery imports in 2007 were as follows:

Country/Major Companies	*Total Import Value*	*Principal Machinery Imports*
Japan – Komatsu, Hitachi, Kobelco, Kawasaki, Kubota, Sumitomo, Kato	US$365 million	Mechanical shovels and excavators, self-propelled forklift trucks and other work trucks with lifts, self-propelled track laying bulldozers and angledozers, self-propelled mechanical front-end shovel loaders, off-highway dumpers, mobile cranes
Germany – Liebherr, Demag, Bomag, Tadano	US$112 million	Mobile cranes, mechanical shovels and excavators with a 360 degree revolving superstructure, self-propelled mechanical front-end shovel loaders, off-highway dumpers, machinery for public works, parts for forklift and works trucks
South Korea – Samsung, Doosan Daewoo, Hyundai	US$72 million	Mechanical shovels and excavators with a 360 degree superstructure, front-end shovel loaders, fork-lift trucks and other work trucks with lifts
United Kingdom – JCB, MF Industrial, RMD Kwikform	US$57 million	Self-propelled mechanical front-end shovel loaders, mechanical shovels, excavators, and shovel loaders, self-propelled works trucks and forklifts, off-highway dumpers
Sweden – Atlas Copco, Volvo, Dynapac, Sandvik	US$56 million	Off-highway dumpers, self-propelled mechanical front-end shovel loaders, self-propelled works trucks and forklifts
France – Manitou, Haulotte	US$44 million	Mechanical shovels and excavators with a 360 degree super-structure, self-propelled tamping machines and road rollers

Source: Australian Bureau of Statistics/Industry Sources

Australian manufacturing mainly comprises small amounts of customized products such as wear parts, attachments (buckets, tractor tires, cabs, wheels and rims), and replacement parts for incorporation into imported base units. While construction machinery prices range from a few thousand dollars to well in excess of one million dollars, the items the local industry manufactures generally target the lower end of this range.

Jaws Buckets & Attachments Pty. Ltd. in Brisbane is Australia's leading attachment manufacturer, focusing on attachments for the construction, earthmoving, mining, quarrying, and materials handling industries. Another bucket manufacturer is Robbo Attachments, a cooperative venture with Guangxi LiuGong Machinery Co. Ltd., one of China's leading large-scale construction machinery manufacturers. Others include Hydrapower, GMW Industries Pty. Ltd., and Digga Australia Pty. Ltd.

Prospective Buyers

End-users of construction equipment include private sector contractors and public sector enterprises. Private sector contractors bid for specific jobs including government infrastructure projects and private sector developments.

Large-scale projects normally go through a tendering process, either as a public tender advertised in newspapers or through government gazettes, or as closed tenders where the client invites selected contractors to tender for a project. The selection of contractors for a closed tender is based on reputation, past performance, and strong relationships with developers, public sector procurement officers, financiers, etc. Small-scale operators tend to rely very heavily on "word of mouth" to obtain contracts, but also advertise in local newspapers and check local building approval gazettes for upcoming work in their regional market.

Contractors usually own on-site cranes but subcontract excavation work. The mid- to larger-sized earthmoving contractors purchase equipment outright, while smaller operators are more likely to lease machinery. Coates is Australia's largest equipment leasing company, servicing infrastructure projects with heavy equipment.

During year ended June 30, 2007, the 20 largest commercial builders and contractors were:

Largest 20 Commercial Builders and Contractors
2006-7 contracts in A$million by type of work

Company	*Commercial*	*Industrial*	*Community*	*Civil*	*Residential*	*Mining*	*Total*
Leighton Group	422	1	513	7,684		2,409	A$11,030
Abigroup Pty Ltd	321	48	476	3,734			4,579
BGC Construction Pty Ltd	431		76	1	29	2,028	2,566
Bovis Lend Lease	1,373	283	312		81		2,050
Baulderstone Hornibrook Pty Ltd	113		180	1,570	48		1,910
Multiplex	1,588	1	175		132		1,895
Saipem Australia						1,800	1,800
United Group Ltd	190			1,166		220	1,576
McMahon Contractors Pty Ltd		500		256		800	1,556
McDonnell Dowell Corporation Ltd				1,285		185	1,470
Laing O'Rourke Australia Pty Ltd	232		84	283	71	775	1,444
Downer EDI		1		41		1,253	1,295
Alstom Power Ltd		400		500		8	908
Watpac Australia	291	15	494		60		859
Salta Constructions Pty Ltd	573	94	120		15		802
Hansen Yuncken Pty Ltd	202	59	292	48	158		759
LU Simon Pty Ltd	310		49		360		718
NRW Pty Ltd						678	678
Mirvac Projects Pty Ltd	113		400		157		670
Westfield Design & Construction Pty Ltd	647						647

Source: Housing Industry Association, Australian Industry Group, Reed Construction Data

Public Private Partnerships (PPPs) are being increasingly used in Australia for major infrastructure projects. The main applications (by value) are transport-related, such as toll road and rail projects. Other purposes include hospitals, schools, and desalination plants. Some examples of PPPs in Australia are Design, Construct and Maintain (DCM), Build, Own, Operate (BOO), and Build, Own, Operate, and Transfer (BOOT). State governments are the main users of PPPs and this is likely to remain the case, since the States bear primary responsibility for providing economic and social infrastructure.

Market Entry

Most Australian companies import equipment directly from U.S. manufacturers. The importer/distributor normally sells directly to the end-user and services the equipment sold.

It is common practice for Australian distributors to ask for exclusive geographic rights to market a foreign corporation's equipment nationwide.

Pricing, technology, and after sales service dominate the buying habits in this market. Australian end-users are willing to invest in technology that offers superior precision, flexibility, safety, and reliability features. Large construction machinery that consumes high levels of energy is at a disadvantage. Manufacturers and/or agents must provide on-call back up servicing programs and substantial product warranties.

U.S. manufacturers must be prepared to modify their equipment to suit this market rather than expecting the importer/distributor to do so, as this adds to costs in a competitive, small-margin market.

Financing aspects are subject to negotiation between the supplier and importer. General practice, however, is for payment terms of 30-60 days for small-to-medium sized equipment and up to 90 days for heavy machinery.

Market Issues and Obstacles

The Free Trade Agreement between the U.S. and Australia (AUSFTA) has eliminated import duty on construction machinery from the U.S. This, together with an extremely favorable exchange rate, puts U.S. imports in a stronger competitive position, as the import duty from other countries is five percent.

A Goods and Services Tax (GST) of 10 percent applies to the sale or provision of most goods and services consumed in Australia. The GST levy is calculated on the value of the taxable import (VOTI), which is the cost of the machinery, plus freight and insurance for shipping the equipment to Australia.

Used construction machinery requires a permit issued by the Australian Quarantine and Inspection Service (AQIS) prior to importation and a cleanliness certificate to verify that the machinery has been thoroughly cleaned. Machines arriving in an unclean state will not be permitted entry into Australia. Each consignment must be free of infestation and quarantinable contamination, including live insects, seeds, soil, and other plant and animal debris. Even with these precautions, the equipment is still subjected to mandatory inspection by an AQIS officer and may be steam cleaned at premises approved by AQIS before being reinspected by a second independent AQIS officer. Full information is available by contacting AQIS headquarters at:

Australian Quarantine and Inspection Service
Edmund Barton Building, Broughton Street
Barton, Australian Capital Territory 2600
Telephone: (61-2) 6272-3933
Fax: (61-2) 6272-5753
Email: aqis.contact@dpie.gov.au
Website: http://www.daff.gov.au/aqis

A number of individual standards apply to construction equipment in Australia, including AS1418, AS2012, AS2294, AS2436, AS2549, AS2868, AS2951, AS2952, AS2955, AS2957, AS2958, AS4987, and AS4988. Rollers,

excavators, dump trucks, and most heavy construction equipment must comply with strict Australian Roll Over Protective Structure (ROPS) standards before being allowed on a construction site. Also, trucks must meet sound level and emission control standards. Detailed information on requirements is available from:

Standards Australia
286 Sussex Street
Sydney NSW 2000
Telephone: (61-2) 8206-6000
Fax: (61-2) 8206-6001
Website: http://www.standards.org.au/

Trade Events

Event: Name:	NATIONAL CONSTRUCTION EXHIBITION
Date:	August 7-9, 2008
Location:	Sydney Showground, Sydney Olympic Park
Website:	http://www.nce.reedexhibitions.com.au

Event Name:	INFRASTRUCTURE AUSTRALIA 2008
Date:	Melbourne - August 13-15, 2008 Adelaide – October 16-18, 2008
Location:	Melbourne Exhibition & Convention Centre, Victoria Adelaide Showground, South Australia
Website:	http://www.infrastructureaus.com.au/

Event Name:	LOGOV EXPO
Date:	October 8-9, 2008
Location:	Logan City, Brisbane, Queensland
Website:	http://www.logov.net

Event Name:	CIVENEX 2009
Date:	May 21-23, 2009
Location:	Eastern Creek Raceway, Sydney
Website:	http://www.civenex.net/

Resources and Key Contacts

Australian Building Codes Board	http://www.abcb.com.au
Australian Construction Industry Forum (ACIF)	http://www.acif.com.au/
Australian Constructors Association	http://www.constructors.com.au/
Australian Council for Infrastructure Development (now amalgamated with Infrastructure Partnerships Australia)	http://www.infrastructure.org.au/
Australian Procurement and Construction Council	http://www.apcc.gov.au/
Civil Contractors Federation	http://www.civilcontractor.com.au/
Construction Forecasting Council	http://www.cfc.acif.com.au/
Construction and Mining Equipment Industry Group	http://www.cmeig.com.au/
Department of Infrastructure, Transport, Regional Development and Local Government	http:/www.infrastructure.gov.au/
Earthmover & Civil Contractor Publication	http://www.earthmover.com.au/
Housing Industry Association	http://hia.com.au/
Master Builders Australia Inc.	http://www.masterbuilders.com.au

For More Information

Please contact the U.S. Commercial Service in Sydney, Australia via e-mail at: Patricia.Matt@mail.doc.gov; Phone: (61-2) 9373 9211; Fax: (61-2) 9221 0573 or visit our website: www.buyusa.gov/australia/en

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